

Message Text

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ACTION EB-11

INFO OCT-01 ARA-11 EUR-25 ADP-00 AID-20 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

CIEP-02 OMB-01 SS-15 NSC-10 L-03 PRS-01 RSR-01 /133 W
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R 271944 Z APR 73

FM AMEMBASSY MONTEVIDEO

TO SECSTATE WASHDC 4313

INFO AMEMBASSY PARIS

LIMITED OFFICIAL USE MONTEVIDEO 1269

E. O. 11652: N/ A

TAGS: BGEN EFIN UY

SUBJECT: PARIS CLUB LETTER RESPONSE AND NEGOTIATION OF NEW PAY-
MENT TERMS FOR URUGUAYAN COMMERCIAL ARREARS

REF : A) STATE 028734

B) MONTEVIDEO 450

C) STATE 017950

1. SUMMARY. UNDERSECRETARY OF ECONOMY AND FINANCE WALTER CAMPO
APRIL 26 GAVE ADCM AND USAID DIRECTOR COPY OF LETTER WRITTEN
APRIL 24 BY MINISTER OF ECONOMY AND FINANCE MOISES COHEN TO
PRESIDENT OF PARIS CLUB, GUY NEBOT. COHEN' S LETTER REFERRED
TO PARIS CLUB LETTER TO GOU WHICH WAS SUBJECT OF REFTELS AND
PROPOSED TO NEGOTIATE NEW SYSTEM FOR LIQUIDATING COMMERCIAL
ARREARS WHICH WERE THE SUBJECT OF CENTRAL BANK CIRCULAR NO.
409 OF LAST NOVEMBER. CAMPO OUTLINED GOU PROPOSAL FOR NEW
SYSTEMS AND REQUESTED USG RESPONSE. ACTION REQUESTED: MISSION
REQUESTS WASHINGTON REACTION TO GOU PROPOSAL AND INSTRUCTIONS
FOR ANY FURTHER NEGOTIATIONS WITH GOU ON PAYMENT OF ARREARAGES,
INCLUDING COORDINATION WITH OTHER CREDITOR NATIONS ALSO IN-
VOLVED IN NEGOTIATIONS. END SUMMARY

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2. INFORMAL TRANSLATION OF SUBSTANTIVE PART MINISTER COHEN' S
LETTER TO PARIS CLUB PRESIDENT FOLLOWS: " WE HAVE RECEIVED AND
STUDIED YOUR LETTER OF LAST FEBRUARY 28 CONCERNING THE PAYMENT
OF CERTAIN OF OUR COUNTRY' S COMMERCIAL DEBTS. I AM SURE YOU
ARE AWARE THAT THE DECISIONS MADE BY THE CENTRAL BANK OF URU-

GUAY WERE IMPOSED BY NECESSITY AND THAT OUR COUNTRY, WHICH TRADITIONALLY COMPLIES STRICTLY WITH ITS OBLIGATIONS, WAS NOT ATTEMPTING WITH THOSE DECISIONS TO AVOID OBLIGATIONS, BUT ON THE CONTRARY IT WAS TRYING TO ADOPT NEW MEASURES TO PAY THEM IN THE MOST SATISFACTORY WAY WITHIN REALISTIC POSSIBILITIES. THE SITUATION REQUIRED IMMEDIATE ACTION, BUT IT IS TRUE THAT OUR CENTRAL BANK, EVEN IN THOSE CIRCUMSTANCES, LEFT OPEN THE POSSIBILITY TO NEGOTIATE WITH THE CREDITORS IN ORDER TO ENABLE THEM TO RECUPERATE THEIR CREDITS MORE RAPIDLY. THAT WAS THE CONTENT OF ART. 14 OF CIRCULAR NO. 409, WHICH MOTIVATES THESE STEPS, WHICH WE HOPE WILL BE GIVEN THEIR DUE IMPORTANCE.

3. " THE PRESENT SITUATION OF URUGUAY AND ITS PROSPECTS FOR THE FUTURE HAVE IMPROVED NOTABLY, AND AS A RESULT OUR COUNTRY IS ABLE TO RESOLVE THESE PROBLEMS MORE FAVORABLY. IT IS, AND HAS BEEN, URUGUAY'S DESIRE TO NEGOTIATE THE TERMS OF PAYMENTS TO BE MADE, AND TO DECIDE BY COMMON AGREEMENT UPON PAYMENT SCHEDULES WHICH ARE REALISTIC WHILE AT THE SAME TIME THEY REFLECT FAITHFULLY THE OBLIGATIONS INCURRED. THESE SOLUTIONS, WHICH WOULD TAKE THE PLACE OF THOSE ESTABLISHED BY CIRCULAR NO. 409, SHOULD BE SETTLED BY NEGOTIATIONS AND WILL BECOME EFFECTIVE ONLY BY AGREEMENT OF THE PARTIES CONCERNED, FOR WHICH PURPOSES OUR COUNTRY WISHES TO MAINTAIN CLOSE CONTACT WITH THE AUTHORITIES OF THE PARIS CLUB AND REQUESTS THEIR ASSENT.

4. " TO GIVE ASSURANCE OF THESE INTENTIONS, I AM HAPPY TO INFORM YOU ALREADY THAT OUR CENTRAL BANK IS ABLE TO PAY THE SMALLER DEBTS UP TO A SUM TO BE DETERMINED BUT NOT LESS THAN US\$25,000, CONSOLIDATED ACCORDING TO FOREIGN CREDITOR, AND NO LATER THAN JUNE OF THIS YEAR. IN THE SAME WAY, PAYMENTS OF DEBTS ABOVE THAT FIGURE CAN BE STAGED IN FURTHER PERIODS TO BE DETERMINED, BUT WHICH WILL CONSTITUTE A DEFINITE ACCELERATION IN COMPARISON WITH THE TERMS FIRST PROVIDED FOR."

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5. CAMPO EXPLAINED BY EXAMPLES THE GOU PROPOSAL IN THE LAST PARAGRAPH ABOVE INDICATING GOU DESIRE FOR NEGOTIATIONS ON THAT MATTER AS EXPRESSED IN THE PENULTIMATE PARAGRAPH OF THE LETTER. HE PROPOSED THAT THE FOREIGN CREDITOR WHO HAS FOUR URUGUAYAN DEBTORS WHOSE DEBT TO HIM TOTALS FOR EXAMPLE \$18,000 WOULD BE PAID BY THE END OF JUNE, BUT A FOREIGN CREDITOR OWED \$12,000 BY ONE DEBTOR AND \$18,000 BY ANOTHER WOULD NOT BE INCLUDED IN THE FIRST STAGE OF PAYMENTS BECAUSE HIS TOTAL IS OVER \$24,000. CAMPO FURTHER SAID THAT WHAT HIS MINISTRY HAS IN MIND FOR FUTURE STAGES IS A SCHEDULE ALONG THE LINES OF PAYING CREDITORS OWED A TOTAL BETWEEN \$25,000 AND \$50,000 WITHIN SOMEWHERE BETWEEN 12 AND 18 MONTHS, CREDITORS WHOSE TOTAL IS BETWEEN \$50,000 AND \$100,000 BETWEEN 18 AND 30 MONTHS, AND ABOVE \$100,000 WITHIN 4 YEARS. AS STIPULATED BY CIRCULAR NO. 409, 7-1/2 PERCENT INT-

EREST PER ANNUM WOULD BE PAID STARTING LAST NOVEMBER ON THESE ARREARS UNTIL LIQUIDATED. CAMPO ACKNOWLEDGED THAT GOU HAS MORAL OBLIGATION TO PROVIDE SOME KIND OF RELIEF FOR PERIODS PRIOR TO LAST NOVEMBER AND SAID MINISTRY WOULD TRY TO WORK SOMETHING OUT, BUT IT COULD NOT BE 7-1/2 PERCENT FOR THOSE EARLIER PERIODS.

6. CAMPO ADDED THAT NEW PLAN DESCRIBED HERE APPLIES ONLY TO COMMERCIAL ARREARS COVERED BY CIRCULAR NO. 409 AND DOES NOT APPLY TO DEBTS OWED BY PUBLIC SECTOR. HE SAID GOU WILL LIQUIDATE UNDER DIFFERENT, STILL- UNDECIDED PLAN COMMERCIAL DEBTS OF NATIONAL GOVERNMENT AND STATE ENTERPRISES BUT NOT OF URUGUAYAN LOCAL GOVERNMENTS, WHICH MUST BE RESPONSIBLE FOR THEIR OWN DEBTS.

7. CAMPO SAID HE WAS GIVING COPIES OF ABOVE LETTER ALSO TO EMBASSIES OF FRANCE, UK, WEST GERMANY AND SPAIN. INDICATED GOU PARTICULARLY ANXIOUS TO IMPROVE IMAGE OF URUGUAYAN CREDIT-WORTHINESS WITH USG AND GOVERNMENTS OF THOSE COUNTRIES. REGRETTED THAT GOU CANNOT AFFORD TO SEND DELEGATION TO PARIS TO NEGOTIATE NEW ARREARS LIQUIDATION SCHEDULE DIRECTLY WITH CLUB MEMBERS BUT HOPES MEMBER GOVERNMENTS WILL NEGOTIATE ON BEHALF OF THEIR CREDITORS WITH GOU THROUGH THEIR EMBASSIES HERE. EXPRESSED HOPE, IN FACT, THAT TO SIMPLIFY NEGOTIATIONS EUROPEAN PARIS CLUB MEMBERS MIGHT CONSOLIDATE THEIR NEGOTIATIONS THROUGH ONE EMBASSY HERE SUCH AS THAT OF FRANCE WHILE LIMITED OFFICIAL USE
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" OTHERS" (NON - SPECIFIED) CONSOLIDATE THEIR NEGOTIATIONS THROUGH US EMBASSY.

8. CAMPO INDICATED GOU WISHES TO NEGOTIATE PAYMENT SCHEDULE WITH CREDITORS, OR AT LEAST GET PARIS CLUB REACTION TO PROPOSED NEW SYSTEM, BEFORE TAKING FORMAL STEP SUCH AS ISSUING CENTRAL BANK CIRCULAR THAT WOULD SUPERCEDE CIRCULAR NO. 409. THERE HAS BEEN NO, REPEAT NO, PUBLIC ANNOUNCEMENT YET OF THIS NEW SYSTEM, BUT RUMORS ARE AROUND TOWN THAT GOU IS ABOUT TO REPLACE CIRCULAR 409 WITH NEW ARRANGEMENTS FOR SETTLING COMMERCIAL ARREARS.

9. EMBASSY OFFICERS INDICATED THAT THEY WOULD TRANSMIT LETTER AND GOU PROPOSAL TO WASHINGTON, AND WOULD INFORM HIM OF ITS REACTION INDICATING THAT THEY ANTICIPATED FAVORABLE REACTION TO GOU DESIRE TO NEGOTIATE WITH CREDITORS ON PAYMENT OF ARREARAGES, THAT SPECIFIC COMMENTS AND PROPOSALS MIGHT BE OFFERED ON THE GOU PRESENTATION, AND THAT NEGOTIATIONS PROBABLY NEED NOT BE CARRIED OUT WITH PARIS CLUB, BUT COULD BE HANDLED THROUGH EMBASSIES IN MONTEVIDEO (OR IN WASHINGTON).
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Message Attributes

Automatic Decaptioning: X
Capture Date: 07 MAY 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 27 APR 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973MONTEV01269
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Film Number: n/a
From: MONTEVIDEO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730460/abqcefyq.tel
Line Count: 162
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: garlanwa
Review Comment: n/a
Review Content Flags:
Review Date: 23 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23-Aug-2001 by shawdg>; APPROVED <28-Nov-2001 by garlanwa>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> jms 980204
Subject: PARIS CLUB LETTER RESPONSE AND NEGOTIATION OF NEW PAY- MENT TERMS FOR URUGUAYAN COMMERCIAL ARREARS
TAGS: BGEN, EFIN, UY
To: STATE INFO PARIS
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005